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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations: financing of the United Nations peacekeeping operations

Audit of the liquidation of peacekeeping missions

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of the liquidation of peacekeeping missions.

2. The Secretary-General takes note of its findings and concurs with its recommendations. The Secretary-General also notes that measures are already being initiated to correct many of the issues addressed in the review.

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Summary

The present report provides an analysis of the main findings and recommendations arising from audits carried out by the Office of Internal Oversight Services (OIOS) between 1996 and 1999 of the liquidation of eight peacekeeping missions whose combined asset acquisition costs amounted to over $900 million.

OIOS recognizes that each liquidation is unique. However, in virtually all cases the audits showed that the liquidation process could be streamlined further by developing standard operating procedures in key areas, more efficiently planning and organizing the liquidation process and ensuring the availability of adequate staff resources. OIOS also concluded that good management during the operational period of a mission was crucial to successful completion of the liquidation in a timely manner. The Department of Peacekeeping Operations (DPKO) recognizes the need to refine further the current liquidation procedures and is making an effort to address them. The OIOS review also noted that progressive improvements over the years have been made by DPKO in the way liquidations are being conducted.

Major findings included the following:

- Provisional guidelines for the liquidation of field missions were issued in 1996. However, the guidelines need to be updated and further developed in order to provide sufficient guidance to missions;

- While DPKO has been steadily refining its liquidation techniques, it has not established a formal mechanism to consolidate lessons learned into the operations of new and ongoing missions;

- Disposing of United Nations-owned equipment was one of the most important and time-consuming tasks of the liquidation process. In that area several issues need to be resolved by DPKO, including:

  - The installation of the field asset control system in all missions and development of standard systems and procedures to control receipt, movement and disposal of United Nations-owned equipment;

  - The transfer by liquidating missions of expendable supply items to other missions, where they often could not be used owing to obsolescence or failure to meet requirements;

  - The transfer of low-value assets, such as computer equipment, to the United Nations Logistics Base for upgrading is uneconomical;

  - The use of depreciated values rather than fair market values in determining the cost-effectiveness of transferring United Nations-owned equipment may not always achieve the desired results;

- No delegation of authority has been granted to missions to enable them to assess mission personnel for the loss or damage of United Nations-owned equipment;

- Financial management problems, including collection of accounts receivable, settling accounts payable and finalizing liquidating obligations often delay completion of the liquidation;

- Property sales documents for the transfer of United Nations-owned equipment to third parties, while documenting transactions that have been completed on short notice, often do not provide adequate legal protection to the Organization;
- The frequent rotation of chief procurement officers in some cases leads to delays in providing essential services, resulting in additional time being needed to finalize essential liquidation tasks;
- Failure to ensure full staffing levels often hinders the efficiency of critical areas such as finance, procurement and property control;
- DPKO's draft field administration manual does not provide sufficient guidance to missions to establish board of inquiry procedures leading to unnecessary processing of cases and delayed processing of other cases.

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I. Introduction

1. One of the characteristics of peacekeeping missions established in the post-cold-war period, which includes some of the largest missions undertaken by the Organization, has been short and often uncertain mandate periods. As a result of the short mandates, liquidations have become frequent undertakings requiring the input of significant resources.

The key to a successful liquidation is the efficient and effective management of the mission during its start-up and operating phases.

2. The key to a successful liquidation is the efficient and effective management of the mission during its start-up and operating phases. Liquidation of a mission requires the disposal of large quantities of assets, the closure of financial records and completion of outstanding administrative matters such as boards of inquiry, claims review and property survey actions that can only be accomplished effectively with a high degree of planning and organization. Moreover, there is a need for close coordination with Headquarters on policy matters and the provision of adequate delegations of authority to missions to ensure timely action.

3. The present report analyses the findings of audits by the Office of Internal Oversight Services (OIOS) of eight mission liquidations conducted between 1996 and 1999 (see summary table below): the United Nations Observer Mission in Angola (MONUA)/United Nations Angola Verification Mission (UNAVEM), the United Nations Assistance Mission for Rwanda (UNAMIR), the United Nations Transitional Authority in Cambodia (UNTAC)/United Nations Advance Mission in Cambodia (UNAMIC), the United Nations Observer Mission in Liberia (UNOMIL), the United Nations Operation in Somalia (UNOSOM), the United Nations Peace Forces (UNPF), the United Nations Transitional Administration in Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and the United Nations Transitional Mission in Haiti (UNTMIH).

4. The overall objective of the present report is to provide an overview of the liquidation of peacekeeping operations. Many common issues were identified during liquidation audits and OIOS considered it constructive to report those issues on a consolidated basis in order to focus attention on the need further to refine liquidation procedures and to assist the Department of Peacekeeping Operations (DPKO) to build on the progress already made. The report focuses in particular on asset management and asset disposal issues.

Missions	*Mandate period*	*Liquidation period*	*Total expenditures* (Missions of United States dollars)	*Total assets*
MONUA/ UNAVEM	1989-1999	February-August 1999	1 005	87[a]
UNAMIR	1993-1996	March-December 1996	453.9	63
UNTAC/ UNAMIC	1991-1993	October 1993-June 1994		
UNOMIL	1993-1997	October 1997-February 1998	114	15
UNOSOM	1992-1995	April-September 1995	2 020	133
UNPF	1992-1996	July 1996-September 1997	4 800	345
UNTAES	1996-1998	January-June 1998	481	77
UNTMIH	1995-1997	None	493	12

[a] Estimate.

5. A draft of the report was made available to DPKO for its review. Its comments have been taken into account and are identified by the use of italics.

II. Policy guidance from Headquarters

A. Liquidation guidelines need to be updated

6. Provisional guidelines for the liquidation of field missions were issued and distributed to all peacekeeping missions in 1996. While those guidelines were a step in the right direction and provided general information on how to organize the liquidation exercise, they did not address all the relevant issues of concern to liquidating missions. There is also a need for DPKO to formalize the coordination role of Headquarters in the liquidation process.

7. While it is recognized that field missions are primarily responsible for the various liquidation tasks, it is vital that adequate direction and guidance be provided by Headquarters to capitalize on the experience of previous liquidations and to monitor progress to prevent unnecessary and costly undertakings. The liquidation audit of UNOSOM, for example, found that, owing to the lack of clear policy guidance from Headquarters, no insurance coverage had been arranged under the United Nations global cargo policy for the shipment of assets valued at approximately $167 million. An audit of UNTAES found that inadequate

policy guidance from Headquarters on conducting auctions had resulted in a lack of transparency in the auction process by allowing the parent company of the auction contractor to take part in the bidding. Those situations could have been prevented had adequate procedures been available to guide the missions.

8. In order for the guidelines to be of maximum value to liquidating missions, they should be regularly updated and revised to reflect current policies and procedures. The annex to the present report sets out the areas of the guidelines that require revision. In view of the importance of such guidelines, OIOS believes that it would be beneficial to assign this responsibility to a specific unit within the DPKO Field Administration and Logistics Division.

9. *In their response to the draft report, DPKO stated that, while the provisional liquidation guidelines had been issued in April 1996, it had made a concerted effort to provide missions with several additional guidelines. On that basis a meaningful review of the liquidation guidelines could take place. DPKO also stated that it provided practically daily guidance to missions under liquidation and it felt that without such guidance it would be difficult for the liquidations to proceed.*

10. *DPKO also shared the concern of OIOS on the need to update the liquidation guidelines regularly. However, it indicated that with the drastic decrease in the available resources owing to the departure of gratis personnel, such resources, both in number and in expertise, had ceased to exist and the legislative bodies had not approved the Department's proposals for additional staffing for that purpose.*

B. Lessons learned should be incorporated into procedures

11. As OIOS previously pointed out in its report of 8 April 1999 on the triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-sixth session on the evaluation of peacekeeping operations: termination phase (E/AC.51/1999/5), DPKO should designate a focal point to deal with lessons learned on administrative matters and to incorporate those lessons into the liquidation guidelines when appropriate. While a Lessons Learned Unit has been established in DPKO, it has not specifically addressed the administrative aspects of peacekeeping missions. A review of some of the publications of the Lessons Learned Unit found that while they referred to administrative issues, their main concern was with the substantive work of the missions. Furthermore, OIOS believes that the lessons learned can form the basis for standard operating procedures for mission liquidations that would help to formalize the policy role of Headquarters thereby avoiding delays in essential decision-making.

12. The lack of prompt decision-making by Headquarters on the disposal method has caused problems in the shipment of millions of dollars worth of United Nations-owned equipment from Cambodia, which caused an overflow at disposal sites. The report of the Secretary-General of 23 February 1995 on the final disposition of UNTAC assets (A/49/714/Add.1) stated that $8.1 million worth of assets were lost to theft and another $3.6 million worth had to be written off. This could have been avoided to a large extent if decisions had not been delayed by causing assets to pile up at disposal sites.

13. *DPKO stated that its Lessons Learned Unit had an officer dedicated to reviewing issues pertaining to field administration and logistics. DPKO also indicated that, when the resource situation allowed, it analysed comments and proposals from missions for use in updating the liquidation guidelines. Furthermore, DPKO indicated that significant progress had been made in enhancing institutional memory by staff who had practical mission experience.* OIOS recognizes the resource constraints of DPKO and the efforts made to provide additional guidelines and faster responses to missions' queries, but continues to believe that the establishment of formal standard operating procedures should continue to be a priority for DPKO.

III. Planning and organizing mission liquidation tasks

A. Need to organize liquidation tasks better

14. While it is essential that missions employ proper planning methodology, mission management needs to implement the necessary management structure to facilitate the liquidation process. In accordance with the provisional liquidation guidelines, two bodies should be established to manage liquidation tasks. One is the liquidation task force, a policy-making body of senior mission officials that functions as a steering committee and monitors liquidation progress. The second is the mission liquidation team, which is responsible for the detailed planning and coordination of the liquidation tasks divided among the various sections of

the mission. This coordinating mechanism has not always been used.

15. A pre-liquidation audit of MONUA found that it had not established written guidelines setting out the responsibilities of the various components within the mission. Moreover, management had not resolved the issue of establishing a liquidation task force, as required by the provisional liquidation guidelines, to provide the necessary coordinating mechanism between the components of the mission.

16. There is scope for strengthening specific liquidation tasks, which have not always been properly organized in the planning process. For example, during the UNPF liquidation, Headquarters decided that inventories of United Nations-owned equipment worth tens of millions of dollars should be handed over to the North Atlantic Treaty Organization (NATO) Implementation Force (IFOR), without first determining how those assets would be accounted for. In the same mission, the operating sectors were not provided with up-to-date inventory records. This, in turn, hindered them from locating and accounting for equipment under their responsibility.

17. *DPKO agreed that better planning played an essential role in an effective liquidation. It also stated that a task force and a liquidation unit had been established to deal with the UNAVEM I, II and III liquidations. In the case of the transfer of assets to IFOR by UNPF, DPKO believed that under the circumstances the mission had taken all possible steps to safeguard the interest of the Organization.*

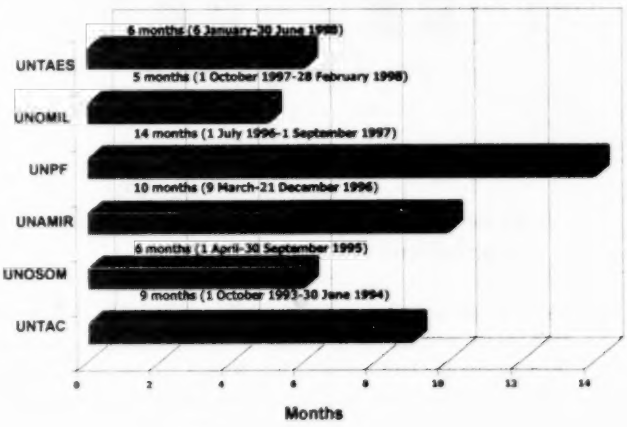
B. Essential liquidation tasks should be completed within the mission area

18. An analysis of the duration of mission liquidations indicated that time-frames varied considerably, as illustrated in figure 1. Additional time is also normally required at another location or at Headquarters to finalize the liquidation. OIOS believes that, to the extent possible, liquidations should be completed in the mission area, where access to records and information is readily available, which may not be the case once the records are archived and transferred.

19. The OIOS report of 22 March 1996 on the termination phase of peacekeeping operations (E/AC.51/1996/3 and Corr.1) stated that time and time again the number and volume of the residual tasks associated with the closing of a mission and the time-frame required to conduct their execution in a proper manner were usually underestimated significantly. In the view of OIOS, even though in some situations circumstances may not permit an extensive liquidation period owing to hostilities or other factors, this observation is still often valid and results in additional time required at Headquarters to complete residual tasks. At the date of this report, liquidation tasks were still ongoing for UNTAC, UNPF and other missions that had been closed for extended periods of time.

20. *DPKO agreed that, as far as possible, liquidations should be completed in the mission area. However, it stated that at the point in time when keeping a liquidation team* in situ *became uneconomical, the remaining tasks would have to be transferred to Headquarters.*

Figure 1
Liquidation phase in mission area



IV. Asset management

21. Generally, the single most complex and time-consuming task in mission liquidation is the disposal of United Nations-owned assets. For the missions reviewed in this report, the acquisition cost of United Nations-owned equipment was $877 million, as shown in figure 2. This excludes the value of equipment in MONUA, which was not yet calculated at the time of the audit.

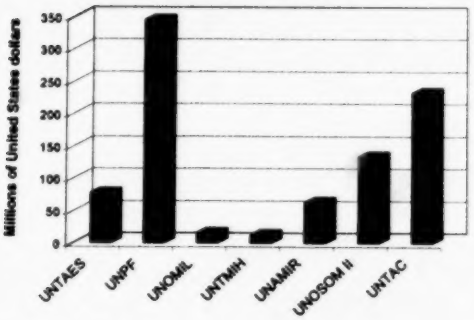
22. The initial time-frame for the MONUA liquidation called for the reconciliation of United Nations-owned equipment to be completed by the middle of March 1999. However, owing to a lack of regular physical inventory counts, inadequate controls over the receipt and disposal of assets, the lack of a central asset database until recently and

inadequate segregation of duties, asset records were not yet finalized at the time of the OIOS audit in May 1999.

23. *DPKO pointed out in its response that other factors, including the future presence of the Organization in Angola and the protracted negotiations with the Government on the sale of assets, had also contributed to delays in disposing of United Nations-owned equipment in MONUA.*

Figure 2

Value of mission assets



A. The field asset control system not fully implemented

24. Since disposal of United Nations-owned equipment represents one of the greatest challenges to a successful liquidation, the lack of adequate inventory control systems and procedures has had a negative impact on missions' ability to complete the liquidation process in a timely and efficient manner. While DPKO has taken steps to correct that situation by developing the field asset control system, the system has not yet been implemented in all missions. Furthermore, in the view of OIOS, the implementation of the field asset control system is only one step in the process of improving asset management in missions. Standard operating procedures need to be developed in order to rectify the deficiencies that continue to exist. These should include a central property control unit to be accountable for the recording of receipts, movements and disposal of all non-expendable equipment. Since the completion of both the development of the field asset control system and standard operating procedures are critical to the effective management of assets and the monitoring by Headquarters of their implementation, it is essential that DPKO ensure that sufficient resources are available to finalize the process.

25. It is often the practice in missions to decentralize the responsibilities for establishing and maintaining inventory records for assets. This was the case at UNPF, which had several different systems and procedures in place to record the receipt, movement and disposal of assets. At the time of the liquidation of UNPF, it became necessary to consolidate those records and to reconcile them to the original purchase orders and receiving and inspection documents. Such a time-consuming task could have been avoided had a standard system been in place during the life of the mission managed by a central property control and inventory unit, responsible for all facets of asset management.

26. *DPKO agreed with the comments of OIOS on the need to implement fully the field asset control system and to provide sufficient staff resources to finalize the outstanding tasks.*

B. Need for better management of supply inventories

27. Supply inventories can be more easily managed since they are continually being consumed and replenished. This provides missions with the opportunity to reduce stocks gradually as they approach liquidation. However, recent audits have found that excessive expendable inventories at the time of mission liquidation was a recurring problem that needed to be addressed by DPKO.

> **The lack of adequate inventory control systems has had a negative impact on the ability of missions to complete the liquidation process in a timely and efficient manner.**

28. The MONUA inventory records in February 1999 indicated that supplies valued at $16 million were on hand. However, closer inspection of the records revealed serious inaccuracies. For example, the electrical supplies inventory, valued at $8 million, was overstated by at least $6 million and the Information and Technology Unit's inventory included numerous supplies such as toner and ink cartridges that had been nominally valued at $1.

29. An audit of UNPF found that over-purchasing by the mission had resulted in excessive inventories of some supply items. These and other remaining supplies had been disposed of by transferring them to other missions in the region. A subsequent audit of the UNTAES liquidation found that almost $4 million worth of equipment and supplies received from UNPF were still on hand, including vehicle spare parts

and engineering materials that could not be used because they were obsolete, not compatible or not required by the mission.

30. *In its response DPKO stated that large stocks of expendable supplies often resulted from political decisions to terminate missions' operations at short notice.*

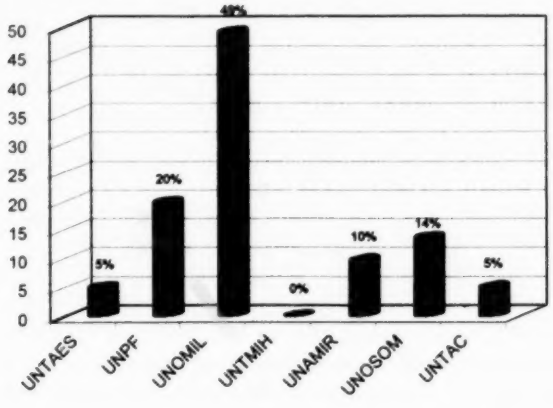
C. Security arrangements during liquidation

31. The security of assets during liquidation has been of major concern to missions. Figure 3 illustrates the percentage of total assets written off because of loss and theft during the life of the missions. In UNTAC, for instance, a large proportion of such losses occurred during the liquidation period. While OIOS believes that DPKO has applied lessons learned in this area, it is essential that adequate security arrangements remain in place during the liquidation phase. Critical security measures include locating assets in secure areas with adequate fencing and other protective devices and ensuring that adequately trained security personnel, including military contingents, are available, bearing in mind the cost-effectiveness of such arrangements.

32. Several OIOS audits have reported on inadequate security arrangements in missions during the liquidation phase. For example, an investigation of UNTAC disclosed the loss of communications equipment valued at approximately $2.6 million, resulting in part from poor security arrangements.

Figure 3

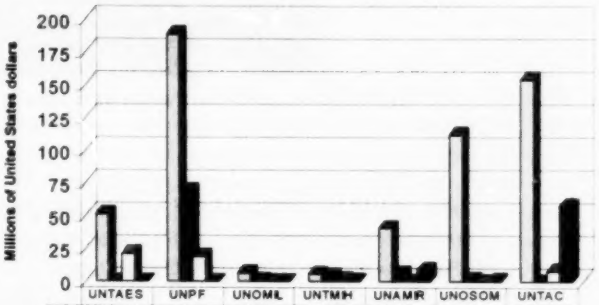
Percentage of assets written off



33. *DPKO recognized the importance of providing security for staff members and assets during the liquidation phase, but agreed that the cost-effectiveness of providing guard contingents must also be taken into consideration wherever possible.*

Figure 4

Asset disposal by category



	UNTAES	UNPF	UNOMIL	UNTMIH	UNAMIR	UNOSOM	UNTAC
I	$51	$189	$7	$6	$41	$112	$154
II	-	$69	$1	$4	$6	$1	-
III	$21	$19	-	$2	-	-	$8
IV	-	-	-	-	$9	$1	$58

V. Disposal of assets

A. Asset disposal plan needs to be based on a realistic analysis

34. An essential element of a liquidation plan is the timely assessment of the condition of assets and determination of the disposal method in accordance with the guidelines endorsed by the General Assembly (in its resolution 49/233 A of 23 December 1994). The guidelines classify assets into four categories, namely:

I. Equipment that will be redeployed to other missions or placed in reserve to form start-up kits for use by future missions;

II. Equipment that is not required by the United Nations but may be useful to other United Nations agencies, international organizations or non-governmental organizations and may be sold to such agencies or organizations at depreciated value;

III. Any unneeded equipment as described in I and II above will be disposed of within the country by commercial means;

IV. Any surplus assets that remain after disposition under the above categories and any assets installed in the

Accumulation of written-off vehicles awaiting disposal in the MONUA scrapyard

country and which, if dismantled, would set back the rehabilitation of the country will be contributed free of charge to its duly recognized Government.

35. Figure 4 shows the comparative value of assets by the above approved categories for missions reviewed (except for MONUA, for which figures had not been finalized). OIOS audits have found that the classification of assets was not always reliable. An audit of UNAMIR, for example, revealed that the proposal submitted to DPKO by the mission did not include essential information such as condition and location of the equipment and its depreciated value. DPKO was therefore not in a position to assess the adequacy of the mission's plan.

36. An audit of the pre-liquidation phase of UNTMIH found that no analysis had been made of the condition and value of group I assets proposed for transfer to the United Nations Logistics Base, so the basis for the decision to transfer the assets was questionable. With regard to group II assets, the mission had proposed the sale of $4.4 million worth of assets to other United Nations agencies and non-governmental organizations in Haiti. The audit found that this proposal was unrealistic considering the small number of agencies and their limited purchasing power.

37. *DPKO indicated that the full implementation of the field asset control system would make the data required for classification and decisions on the disposal of assets standardized and more readily available.*

B. Need for flexibility to dispose of assets by donation

38. A number of peacekeeping missions have included, as one of their objectives, sustaining the momentum of the peacekeeping operations by including successor arrangements and other peace-building measures. In addition, recently completed missions in Eastern Slavonia (UNTAES), Western Sahara (United Nations Mission for the Referendum in Western Sahara (MINURSO)), the Central African Republic (United Nations Mission in the Central African Republic (MINURCA)) are of a peace-building nature. In this regard, the OIOS report on the termination phase of peacekeeping operations (E/AC.51/1996/3) concluded that there was an opportunity to support the peace-building effort by placing greater emphasis on the donation of assets as permitted under category IV of the disposal guidelines. The report recommended that the policy of donating assets to Governments be reviewed. OIOS audits have found that donations are only made on an exceptional basis.

39. An audit of MONUA in February 1999 found that bailey bridges valued at $800,000 had been purchased from the Bangladeshi contingent and that it was proposed to leave them behind since it was not considered feasible to remove them. Although the mission decided to charge the Government for the bridges, this would appear to qualify as a legitimate donation under category IV.

40. *DPKO stated that donations of United Nations-owned equipment were governed by the decisions of the legislative bodies and that the decision to charge the host Government had been made in accordance with paragraph 116 of the report of the Advisory Committee on Administrative and Budgetary Questions of 18 November 1994 (A/49/664), which had recommended that (a) all efforts should be made to obtain from the Government its agreement to compensate the United Nations in a mutually acceptable form (contributions, services, tax exemptions, etc.) for the residual value of any surplus mission assets installed in the*

country which could not be otherwise disposed of; and (b) the General Assembly should, as a matter of principle, be requested to approve any such disposition of mission assets which would provide for free-of-charge contribution to the Government.

C. Policy for transferring assets needs to be assessed

41. The Secretary-General's report on the financing of the United Nations Logistics Base (A/51/905) stated (para. 23):

> "The guiding principle for deciding what items are to be transferred to the Base for possible reuse will be whether it is cost-effective to retain individual items, taking into account their condition, the cost of any necessary repair or refurbishment and shipping cost to the Base, as well as their remaining useful life."

A fundamental aspect of implementing that policy involves the determination of what equipment should be included in group I. The current policy is that items to be shipped to the Base should have at least two years' useful life remaining and should be repairable at a cost of no more than 30 per cent of their depreciated value.

42. An audit of the UNTAES liquidation found that the use of depreciated values for determining which assets should be retained for future missions was not a sound guide. An analysis of some of the sales categories found that assets having an acquisition value of approximately $15 million and a depreciated value of $6.5 million had been sold at auction for only $1 million. This indicated that there was no correlation between fair market value and the depreciated value. As it concluded in its report of 8 April 1999 (E/AC.51/1999/5), OIOS continues to believe that DPKO should revise its methodology for determining what assets should be retained by the Organization by taking into account the market value of the assets. The Advisory Committee, in its report of 21 March 1995 on the financing and liquidation of UNTAC (A/49/867, para. 15), had raised the same issues.

The repair and upgrading costs may even have exceeded the cost of purchasing new computer equipment, whose prices have been constantly declining.

43. An audit of the United Nations Logistics Base found that computers and communications equipment were being repaired and upgraded to higher specifications for use by future missions. The upgrading of computer central processing units cost $450 per unit in parts alone. If the costs of labour, repair shop equipment, shipping, storage and handling were factored in, the repair and upgrading costs probably exceeded the cost of purchasing new computer equipment, whose prices have been constantly declining. New equipment would also have a manufacturer's warranty and a longer useful life. OIOS therefore believes that it is not cost-effective to transfer low-cost high-technology items to the United Nations Logistics Base for upgrading and repairs.

44. DPKO indicated that there would be a number of practical difficulties to establishing fair market values for assets. In its view the method had no apparent advantage over the traditional method of depreciated values. Furthermore, the Department indicated that its experience with upgrading computers was not economic or practical. OIOS still maintains that using depreciated values may result in the uneconomic transfer and retention of assets by the Organization. In future audits of peacekeeping missions, OIOS plans to review the issue further.

D. Standard procedures needed for the disposal of assets

1. Disposal of assets by auction

45. Where conditions allow, assets falling under group III are normally disposed of on a commercial basis either by direct sale or, more recently, by auction. OIOS is pleased to note that the Organization has considerably improved its procedures for auction sales, even though only two major auctions have taken place, the first at UNPF and the other at UNTAES. In the view of OIOS, despite the initial problems encountered, this method of sale has proved to be a viable way to maximize returns to the Organization.

46. An audit of the UNTAES liquidation found that, while the lessons of the UNPF liquidation had for the most part been taken into account, several new additional issues had emerged. Since some of them involved conflicts of interest, OIOS viewed them with concern. For example, the auction contractor had allowed its parent company, which turned out to be the largest single buyer, to register as a bidder, giving rise to an apparent, if not an actual, conflict of interest. In addition, the auction contractor had granted certain buyers, including its parent company, exemption from payment of the auctioneer's premium (an amount added to the sales price as the auction contractor's profit). This was in breach of contractual conditions and gave those companies a competitive bidding advantage. The audit report recommended that future auction contracts include a clause prohibiting the contractor from inviting related companies

or companies with ties to the contractor's employees to bid at the auctions.

2. Disposal of assets by direct sale

47. In both UNPF and UNTAES, a significant number of assets were disposed of by direct sale at depreciated value to other United Nations agencies, international organizations and non-governmental organizations. In the case of UNPF, a decision was made by Headquarters at very short notice to sell assets having an acquisition value of $35.2 million to IFOR contingents. While this represented a unique situation, OIOS identified a number of aspects that provided lessons for future mission liquidations. These included:

(a) Owing to the short notice given to the Mission, there was insufficient time to develop adequate transfer of property documents in order to provide sufficient legal protection for the mission to bill IFOR contingents for the equipment;

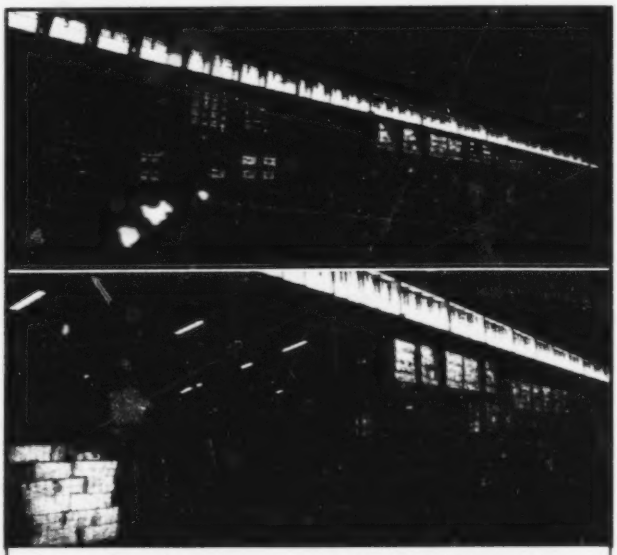
(b) Sales procedures and controls over the billing process required strengthening.

48. As a result of OIOS recommendations, significant improvements were made to the documentation for the sale and billing processes that can serve as a model for future mission liquidations. DPKO should, therefore, incorporate these lessons learned in developing standard operating procedures for the commercial sale of assets. *DPKO agreed that lessons learned from the commercial sales of assets should be incorporated into standard operating procedures.*

E. Delegation of authority is needed to assess personnel for loss of property

49. A number of OIOS audits have pointed out that the limited delegation of authority to missions hindered the efficient and timely write off and disposal of property. In September 1998, a welcome step was made by Headquarters to revise the delegation of authority to missions, thereby permitting local property survey boards to act on cases having a value of up to $25,000, which, for most missions, represented a significant increase.

50. OIOS also believes that additional authority should be delegated to missions for assessing surcharges against mission personnel in cases of negligence resulting in the loss or damage of United Nations-owned equipment. Under current procedures, such cases are recommended by local property survey boards to the Headquarters Property Survey Board, where the final determination of an assessment is made. However, because of the excessive time required by Headquarters to process such cases, the personnel have often left the mission, thus rendering recovery difficult. In the opinion of OIOS the submission to Headquarters of cases involving assessments against mission personnel contributes unnecessarily to an already existing backlog.



Reduction in supply inventory warehouse during the liquidation period in MONUA (top photo February 1999, bottom May 1999)

51. An audit of UNTAES found that 50 property survey board cases, totalling $36,525, involved assessments of surcharges against mission personnel (including civilian police and military observers). Excluding one exceptionally large case, the average amount for these claims was $517 and 15 of the cases amounted to only $55 each. An audit of UNTMIH found that in 25 out of 29 cases involving surcharges against staff members, the amount involved was less than $1,000. Management at both missions anticipated that collecting the outstanding amounts from non-United Nations personnel would be difficult owing to their departure from the mission area. Delegating limited authority to missions for assessing mission personnel in such cases would also serve to expedite the liquidation process.

52. *DPKO agreed that delegating additional authority to missions for assessing surcharges against personnel in cases of negligence had merit. It indicated that the matter was under review by a working group. Furthermore, it stated that consistent and practical guidelines for determining gross negligence as opposed to simple negligence and the*

assessment of surcharges against personnel needed to be established by the Department of Management.

VI. Closure of financial operations

53. Financial tasks in liquidations centre around the collection of outstanding accounts receivable, settling outstanding bills, clearing inter-office vouchers, closing bank accounts and other related functions. Audits have found that financial tasks that should have been kept up to date often accumulated and were left until the liquidation period to finalize. This was often the result of placing personnel with insufficient competence in positions requiring them to perform critical financial functions.

Financial tasks that should have been done on an ongoing basis often accumulated and were left until the liquidation period to finalize.

54. An audit of the UNAMIR liquidation concluded that weak management of the Finance Section had led to the ineffective operation of the office during the liquidation period. OIOS found that there was no scheduling of tasks, assignments were given to unqualified staff members and there was a lack of guidance for the handling of accounting tasks. This resulted in delays in performing bank reconciliations, improper maintenance of accounts receivable due from staff members and untimely review of outstanding obligations.

55. In many instances, inadequate collection procedures not only hampered the liquidation process, but also exposed the Organization to the risk of losses. An audit of UNPF found that the management of accounts receivable, despite having been previously brought to the attention of management, was unsatisfactory and delayed the liquidation process. The accounts receivable listing for staff members, totalling $1.3 million, consisted of a 2,100-page printout that included both receivables and payables. Subsequent to the audit, management took corrective action on the issues raised in the audit. The OIOS review of this listing indicated that as the mission was drawing to a close in March 1996:

(a) Over $286,000 (22 per cent) had been outstanding for more than one year;

(b) $6.8 million was due from military contingents, United Nations agencies, vendors and various other organizations, of which $4.2 million (62 per cent) was owed by one contingent.

VII. Finalizing procurement matters

56. Procurement aspects of liquidations include diverse aspects such as closing outstanding contracts and procuring services required during liquidation, such as removal of scrap materials, repatriation of contingent personnel and shipping of contingent-owned and United Nations-owned equipment. An audit of UNTAES found several deficiencies in the procurement process that had hampered the liquidation effort. In one case, three bidding exercises had been held for the removal of scrap materials and had taken over one year to complete.

57. In another instance at UNTAES, a contract for the repatriation of contingent-owned equipment had not allowed adequate time for bidders to respond. However, a new bidding exercise was out of the question since delays in repatriating the contingent-owned equipment would have cost the Organization approximately $500,000 per week. This situation was attributed to the varying experience of the procurement officers. Furthermore, the mission had had five different chief procurement officers in a two-year period, which had hampered the establishment of required systems and procedures in the Procurement Section.

58. A similar situation had occurred in MONUA, where the tenure of most chief procurement officers was between three and seven months. An OIOS report of 28 April 1998 on the procurement function at UNAVEM (A/52/881) had revealed a number of deficiencies indicating a lack of knowledge of United Nations regulations and rules and insufficient preparedness to manage the mission's Procurement Section efficiently and effectively.

VIII. Liquidation-related personnel issues

59. It is clear that properly trained and qualified personnel are the backbone of missions. However, it has frequently been noted that the approved staffing levels are seldom filled. For example, UNOSOM operated with 50 per cent of its approved staffing level during 1993 and early 1994, and at no time did the staffing level exceed 70 per cent of the authorized posts. This compromised the efficiency of the operation, in particular in critical areas such as finance, procurement and property control. A further problem in the case of UNOSOM was the policy of rotating personnel every six months, which perpetuated the difficulties.

In UNPF it became necessary to devise alternative methods of staffing the mission, resulting in an international contractual personnel project.

60. In UNPF it became necessary to devise alternative methods of staffing the mission, resulting in the development of an international contractual personnel project. While this was perhaps a unique situation in a large and complex mission, it illustrates the difficulties faced by virtually all missions. DPKO has begun to address such critical personnel issues by, for example, establishing a comprehensive training programme for chief administrative officers. Yet this only addresses part of the problem. New solutions and more flexible organizational arrangements may be needed to recruit qualified and trained staff. This could include revised arrangements for international contractual personnel or contracting out various parts of the operations. However, in the view of OIOS, it is essential to fill key mission positions and functions with staff members who are fully accountable to the Organization.

61. *DPKO acknowledged that there was a lack of suitably trained and experienced staff who could be released by their parent departments or office. They also explained that the number of staff willing to go on difficult and hazardous missions did not match the number of posts that needed to be filled. In order to address that critical issue, DPKO was currently looking into more flexible organizational arrangements, in particular the use of international contractual personnel in some areas, as well as conducting an analysis of the comparative advantages of different types of contractual instruments. It is also developing a fast-track recruitment process for specialized support personnel to meet immediate shortages of staff in functions not readily available to the Organization.*

IX. Settlement of claims and inquiries

62. Completion of board of inquiry cases and settling claims often present significant obstacles in completing mission liquidations. In particular, board of inquiry cases involving loss or damage to United Nations equipment must fully document the circumstances surrounding the loss or damage in order to permit the determination of possible financial recovery from military or civilian personnel. OIOS noted a number of problems in this regard in recent missions and believes there is a need for DPKO to update directives for the establishment and operation of boards of inquiry and to monitor their implementation.

A. Claim review board procedures

63. The efficient handling of claims against the Organization by a local claims review board affects the timely completion of a liquidation. OIOS found that some missions did not promptly process claims during the operating stage of the mission, resulting in an additional burden during liquidation when other tasks should have been given priority. In addition, at the end of a mission there is usually an increase in third-party claims resulting from damages caused during the mission, which may require additional time and resources to finalize.

64. In UNPF, third-party claims totalling $32 million were pending as of May 1996, of which cases involving $21 million were awaiting additional information. The OIOS audit also revealed that claims relating to operational activities had been mistakenly settled by the mission, unaware that this was the responsibility of the Government under the terms of the status-of-forces agreement.

B. Board of inquiry procedures

65. OIOS audits have frequently pointed out the need to clarify and strengthen mission board of inquiry procedures. An audit of MONUA, for example, found that unclear criteria were used to select cases for review by the board of inquiry, resulting in unnecessary cases being processed. This was in part the result of ambiguous provisions in the DPKO draft field administration manual, which led the mission to misinterpret the requirements for board of inquiry reviews. OIOS therefore believes that chapter 16 of the draft manual, on guidelines for investigations and boards of inquiry, should be updated to clarify the applicable procedures.

66. During the period from 1992 to 1995, only five cases were completed and forwarded to Headquarters owing to questioning by the UNPF Legal Office of the procedures adopted by the board. Despite the presentation of numerous drafts of alternative procedures, it was not until late in 1995 that revised board of inquiry procedures were issued. As a result, approximately 11,000 cases were pending at the time of the mission's liquidation.

67. Given that many of those cases involved loss and damage of United Nations property, it was urgent to complete them in order to finalize property liquidation tasks. The OIOS review of the procedures determined that there was a need: (a) immediately to assign priorities to processing serious cases, in particular those involving physical injuries and significant property damage or loss; (b) to reassign staff

to review high-priority cases; and (c) to consider establishing additional boards to speed up the processing of cases. The experience in UNPF clearly demonstrated the need to amend board of inquiry procedures.

68. *DPKO indicated that board of inquiry procedures would be amended within the framework of the overall revision of the draft field administration manual.*

X. Recommendations

69. The OIOS review of the liquidation of peacekeeping missions resulted in the following recommendations to DPKO:

Recommendation 1

DPKO should finalize and regularly update the provisional liquidation guidelines to include those areas not currently covered, expand on those areas inadequately covered and delete outdated information and instructions (AP98/21/7/01).

Recommendation 2

DPKO should designate a focal point to be responsible for ensuring that administrative aspects of lessons learned are incorporated into standard operating procedures for missions (AP98/21/7/02).

Recommendation 3

DPKO should ensure that adequate resources are made available in order that the field asset control system is implemented in all missions, standard operating procedures are developed for the receipt, movement within the mission and disposal of assets and for Headquarters to monitor the implementation of the system. Field asset control system procedures should provide for the proper segregation of duties between the property control and inventory unit and the account holders (AP98/21/7/03).

Recommendation 4

DPKO should develop standard operating procedures for disposing of assets by direct commercial sale and auction (AP98/21/7/04).

Recommendation 5

DPKO should request that the Controller delegate limited authority to peacekeeping missions for assessing mission personnel for the loss or damage of United Nations-owned equipment resulting from negligence (AP98/21/7/05).

Recommendation 6

DPKO should ensure that mission vacancies are promptly filled, in particular in key areas (AP98/21/7/06).

Recommendation 7

DPKO should revise the provisions of the draft field administration manual dealing with boards of inquiry procedures (AP98/21/7/07).

70. *DPKO, in its response to the draft report, indicated their agreement with recommendations 1 and 3-7. With regard to recommendation 2, DPKO indicated that this could only be done if sufficient resources were available to undertake the task.* OIOS did not assess the need for additional resources. However, if DPKO believes additional resources are necessary, it should request them through the normal budgetary mechanism.

(Signed) Karl Th. **Paschke**
Under-Secretary-General for
Internal Oversight Services

Annex

Areas of the provisional guidelines for the liquidation of peacekeeping operations that require updating

Areas	*Comments*
Contingent-owned equipment	Guidelines need to be updated to cover the procedures under the new contingent-owned equipment manual.
Board of inquiry and claims review board	Coverage needs to be increased.
Delegation of authority	Coverage needs to be increased.
Method of disposal of equipment by sale	Guidelines need to include procedures for disposing of assets by direct sale, auction and so on.
Submission of reports to Headquarters	For example, the requirement to submit a list of equipment transferred to other missions every two weeks is excessive.
Transfer of medical equipment to the United Nations medical depot in Oslo	The information is out of date as the medical depot was not established.
Government-provided or rented premises	Coverage needs to be increased.
Local property survey board	Coverage needs to be increased.
Insurance requirements of shipped equipment	Coverage needs to be increased.
Financial tasks	Procedures need to be more specific
Expendable supplies	Guidelines need to be more specific. Some guidelines need to be updated.
Non-expendable supplies	Greater clarity and details required.
Audit	The requirements need to be clarified.
PX operations	The requirements need to be clarified.